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THOMSON  
FINANCIALANNUAL AUDITED REPORT  
FORM X-17A-5  
PART IIISEC FILE NUMBER  
8-40375

## FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 11/01/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Gardner Rich, L.L.C. \*

FKA Gardner Rich &amp; Company

OFFICIAL USE ONLY

FIRM ID NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

401 South Financial Place

(No. and Street)

Chicago

IL

60605

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Colleen Carlson

312-913-6524

(Area Code - Telephone No.)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Altschuler, Melvoin and Glasser LLP

(Name - if individual, state last, first, middle name)

One South Wacker Drive

Chicago

IL

60606-3392

(Address)

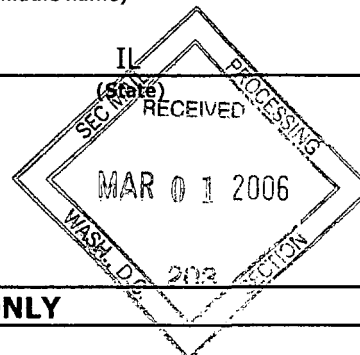
(City)

(State)

(Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions



FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

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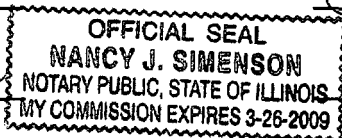
SEC 1410 (06-02)

## OATH OR AFFIRMATION

I, Colleen Carlson, affirm that, to the best of my knowledge and belief, the accompanying statement of financial condition pertaining to the firm of Gardner Rich, L.L.C., as of December 31, 2005, is true and correct. I further affirm that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.

Sworn and subscribed to me on the  
27th day of February 2006

Nancy J. Simenson



Colleen Carlson

Signature

President

Title

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Cash Flows.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statement of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☐ (o) Independent Auditors' Report on Internal Control.

\*\*For conditions of confidential treatment of certain portions of this filing, see Section 240.17a-5(e)(3).

**Gardner Rich, L.L.C.**

**Statement of Financial Condition**

**December 31, 2005**

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Filed Pursuant to Rule 17a-5(d) Under the Securities  
Exchange Act of 1934

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**Altschuler, Melvoin and Glasser LLP**  
Certified Public Accountants

# **Gardner Rich, L.L.C.**

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**December 31, 2005**

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**Altschuler, Melvoin and Glasser LLP**  
Certified Public Accountants

## **Independent Auditors' Report**

Member of  
Gardner Rich, L.L.C.

We have audited the accompanying statement of financial condition of Gardner Rich, L.L.C. as of December 31, 2005 that you are filing pursuant to Rule 17a-5 of the Securities and Exchange Commission. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Gardner Rich, L.L.C. as of December 31, 2005, in conformity with U.S. generally accepted accounting principles.

Chicago, Illinois  
February 11, 2006

**Gardner Rich, L.L.C.**  
**Statement of Financial Condition**  
**December 31, 2005**

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**Assets**

Cash and cash equivalents	\$ 317,203
Receivable from and deposit with clearing broker	50,723
Furniture and equipment, net	<u>107,400</u>

<b>Total assets</b>	<b>\$ <u>475,326</u></b>
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**Liabilities and Member's Equity**

Liabilities

Accounts payable and accrued expenses	\$ 93,577
Loan from member	<u>33,131</u>
Total	126,708

Liabilities subordinated to claims of general creditors	127,692
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Member's equity	<u>220,926</u>
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<b>Total liabilities and member's equity</b>	<b>\$ <u>475,326</u></b>
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**Note 1 Nature of Operations and Significant Accounting Policies**

**Nature of Operations**—Gardner Rich, L.L.C. (the "Company") is a registered securities broker-dealer, introducing transactions on a fully disclosed basis through another broker.

**Use of Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash Equivalents**—Cash equivalents are all highly liquid investments purchased with a maturity of three months or less.

**Furniture and Equipment**—Furniture and equipment are carried at cost and depreciated by an accelerated depreciation method over the estimated useful lives of the assets.

**Income Recognition**—Commission income and expense are recorded on trade date.

**Income Taxes**—The financial statements do not reflect any income tax provision or liability for the Company because the income or loss of the Company is includable in the federal and state tax returns of the Parent.

**Note 2 Furniture and Equipment**

Furniture and equipment at December 31, 2005 consist of:

Furniture and equipment	\$ 255,054
Accumulated depreciation	<u>(147,654)</u>
Net	<u>\$ 107,400</u>

**Note 3 Liabilities Subordinated to Claims of General Creditors**

The Company has a subordinated loan agreement with the stockholder of the member that provides, among other things, for the payment of interest at the prime rate plus 2 percent. Subordinated borrowings are available in computing adjusted net capital under the minimum net capital requirements, and, to the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid. Subsequent to year-end, the loan was renewed and matures on February 1, 2007.

# **Gardner Rich, L.L.C.**

## **Notes to the Statement of Financial Condition**

**December 31, 2005**

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### **Note 4 Related Party**

On January 18, 2006, the Company entered into a six-month lease agreement with its Parent whereby the Company will pay a monthly rent of \$26,175 for office space.

### **Note 5 Off-Balance-Sheet Credit and Market Risk**

Securities transactions of customers located primarily in the Midwest and East Coast regions are introduced to and cleared through the Company's clearing broker. Under the terms of its clearing agreement, the Company is required to guarantee the performance of its customers in meeting contracted obligations. In conjunction with the clearing broker, the Company seeks to control the risks associated with its customer activities by requiring customers to maintain collateral in compliance with various regulatory and internal guidelines. Compliance with the various guidelines are monitored daily and, pursuant to such guidelines, customers may be required to deposit additional collateral or reduce positions when necessary.

Amounts on deposit at a bank, and receivable from and on deposit with the clearing broker represent concentrations of credit risk. The Company does not anticipate nonperformance by its bank or the clearing broker. In addition, the Company has a policy of reviewing, as considered necessary, the creditworthiness of the bank and the clearing broker.

### **Note 6 Net Capital Requirements**

The Company is a broker-dealer subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). Pursuant to a NASD membership agreement dated October 26, 2005, the Company is required to maintain "net capital" equal to \$5,000 or 6-2/3 percent of "aggregate indebtedness," whichever is greater, as these terms are defined. Net capital and aggregate indebtedness change from day to day, but at December 31, 2005, the Company had net capital and net capital requirements of approximately \$240,000 and \$8,000, respectively.

The net capital requirements may effectively restrict the payment of cash distributions and the repayment of subordinated borrowings.